

The Seal of the State of Florida is a circular emblem. It features a central scene with a woman in a long dress standing on a shore, holding a torch. A palm tree stands behind her. In the background, a ship is visible on the water. The words "GREAT SEAL OF THE STATE OF FLORIDA" are inscribed around the top inner edge, and "IN GOD WE TRUST" is at the bottom.

Revised: December, 1994

Prepared By The Plan Administrator:



An Independent Licensee of the Blue Cross and Blue Shield Association.

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I. Introduction

This is an overview of the Managed Care program currently included in the State of Florida Employees' Group Health Self-Insured Program (also referred to throughout this document as "State Self-Insured Health Plan"). Health coverage is a key component of employee benefit plans and is ranked number one by state employees in the importance of benefits. The success of this program has been its ability to control costs, provide broad access to quality care and ensure plan participant satisfaction.

The State Self-Insured Health Plan is the health plan option selected by the vast majority of state employees. Approximately 107,500 state employees and state retirees, along with 135,000 of their family members, are covered under the Plan. Approximately \$277 million was spent on health care under the Plan in fiscal year 1993-94, a 2.9 percent decrease over fiscal year 1992-93.

The managed care program currently included in the State Self-Insured Health Plan has evolved over the years through continuous improvement efforts by Blue Cross and Blue Shield of Florida (BCBSF) and the Division of State Employees' Insurance (DSEI) of the Department of Management Services. With this in mind, this report was developed to assist those with an interest in the State Self-Insured Health Plan to understand the managed care programs and their value to the State of Florida, its employees, retirees and their family members.

II. Background

Consistent with many large employers, the State of Florida established a self-insured health plan in 1978. The benefits of a self-funded program include the ability to avoid many of the costs associated with insured plans such as risk charges, premium charges and margin. Benefits, funding levels and employee premium contribution levels are determined by the legislature. The DSEI, under the direction of the Department of Management Services, has overall responsibility for managing the day-to-day operations of the plan. The Agency for Health Care Administration (AHCA) is responsible for purchasing health care coverage for state employees. The plan administrator is selected through a competitive bidding process.

Blue Cross and Blue Shield of Florida has been the plan administrator since 1978. BCBSF was awarded a two year contract beginning on January 1, 1992 and was awarded one year extensions for 1994 and 1995. This award was based primarily on the strength of BCBSF's statewide preferred provider organization (PPO) network, its integrated managed care program and its competitive administrative cost.

As plan administrator, Blue Cross and Blue Shield of Florida provides a wide range of services including a comprehensive managed care program, claims processing, customer services and a variety of other support services. These services are outlined in the Appendices section of this report.

Blue Cross and Blue Shield of Florida's managed care program features the state's largest health care provider network (Preferred Patient CareSM); it's also one of the largest nationally. Integrated utilization management programs are designed to review all hospital admissions for appropriateness of location, to manage catastrophic and chronic cases, and to provide prenatal and focused health education. The current State Self-Insured Health Plan also places an emphasis on employee and provider education and preventive care.

Background

The legislature sets the overall direction and the AHCA and the DSEI have responsibility for managing the plan.

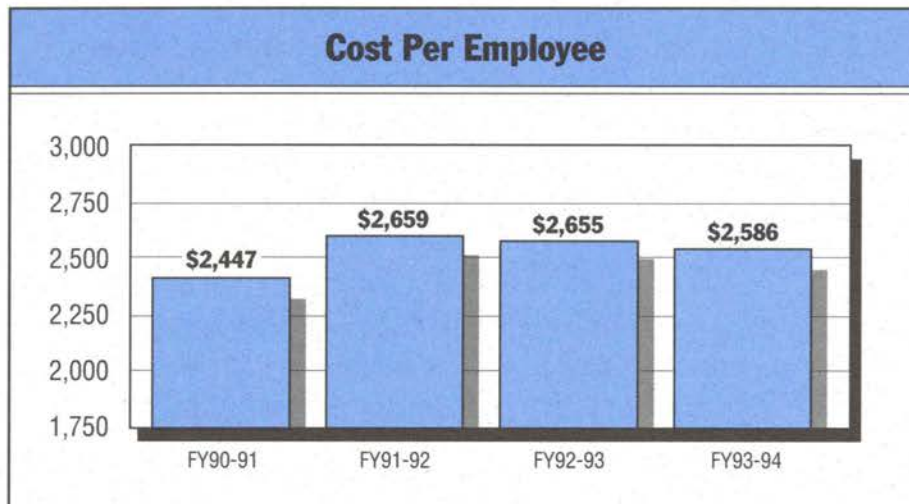
Blue Cross and Blue Shield of Florida has administered the plan since 1978.

More Floridians have chosen BCBSF's PPC program than any other managed care program in the state.

Background

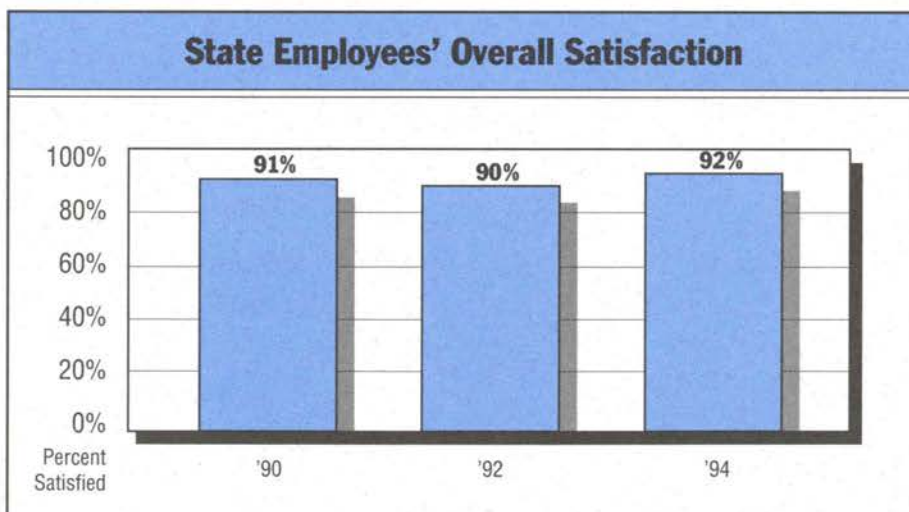
The State Self-Insured Health Plan performs well in terms of cost control, access to care, and employee satisfaction. This is a result of the continuous improvements that have been made to the Plan as the State and BCBSF have worked together in a close partnership over the years.

The Plan has performed well in terms of cost control, access to quality care and employee satisfaction.



The annual health cost per enrollee in the PPC plan has decreased since fiscal year '91-'92.

*NOTE: State group cost per enrollee does not include prescription drug costs.
State group cost per enrollee does include dependent costs.*



At the same time, the level of enrollee satisfaction has remained extremely high.

Source: Independent surveys of state employees conducted in 1990, 1992 and 1994.

III. Managed Care

Managed Care

Managed care can be broadly defined as all programs and products that help manage the use, cost and quality of health care services. Blue Cross and Blue Shield of Florida's managed care program contains the following major components:

- **Preferred Patient CareSM Health Care Provider Network**—Provides for cost-effective reimbursement arrangements between Blue Cross and Blue Shield of Florida and hospitals, physicians and other health care providers. All providers are reviewed for quality and efficiency, and agree to comply with utilization management programs and audits.
- **Utilization Management**—Monitors and manages the use of health care services and promotes the most appropriate, cost-effective, quality alternatives available for prolonged, chronic or catastrophic illnesses.
- **Regional Network Management**—Provides regional Blue Cross and Blue Shield of Florida staff which understand the local health care community and can effectively manage the provider networks.
- **Claims Processing**—Provides effective claims adjudication programs which ensure compliance with the state contract, BCBSF's medical policy and utilization management and case management programs.
- **Health Care Data**—Provides for State plan specific reports and analysis to support product and program design.

By pooling our entire PPO customer base, Blue Cross and Blue Shield of Florida negotiates favorable rates with a wide variety of providers.

Blue Cross and Blue Shield of Florida's managed care plans control health care costs while providing broad access to quality care.

IV. Preferred Patient CareSM (PPC)

The cornerstone of Blue Cross and Blue Shield of Florida's managed care program is its Preferred Patient Care provider network which has been in place since 1984.

PPC delivers the benefits of managed care and the flexibility of a traditional or full access product. It is Florida's most accessible PPO provider network, allowing state employees greater freedom and flexibility in choosing providers. Its design ensures that plan participants have the freedom to select the health care providers of their choice. A recent study of state employees indicates that the single most important factor in the employee's selection of the Self-Insured Plan over another available plan was the choice of doctors and hospitals available.

Blue Cross and Blue Shield of Florida negotiates arrangements with physicians, specialists, hospitals and ancillary providers who must agree to the following:

- **Accept Blue Cross and Blue Shield of Florida's allowance as payment in full.**
- **No balance billing for covered services (except for copay, coinsurance and deductibles).**
- **Comply with Blue Cross and Blue Shield of Florida's utilization management programs.**
- **File claims directly to Blue Cross and Blue Shield of Florida on behalf of state employees.**

By leveraging the size of its total statewide membership of over one million members, Blue Cross and Blue Shield of Florida is able to achieve an overall average savings of 38 percent. Approximately 85 percent of all health care services provided to State Self-Insured Health Plan participants are rendered by Blue Cross and Blue Shield of Florida's PPC participating providers, thereby maximizing the advantages of negotiated rates which accounted for over \$162 million in savings to the state and its employees for fiscal year 1993-94.

Members of the State Self-Insured Health Plan who use the PPC network help keep costs down. At the same time, they receive a higher level of benefits through lower deductibles, copayments and coinsurance levels which reduce their out-of-pocket expenses.

Network

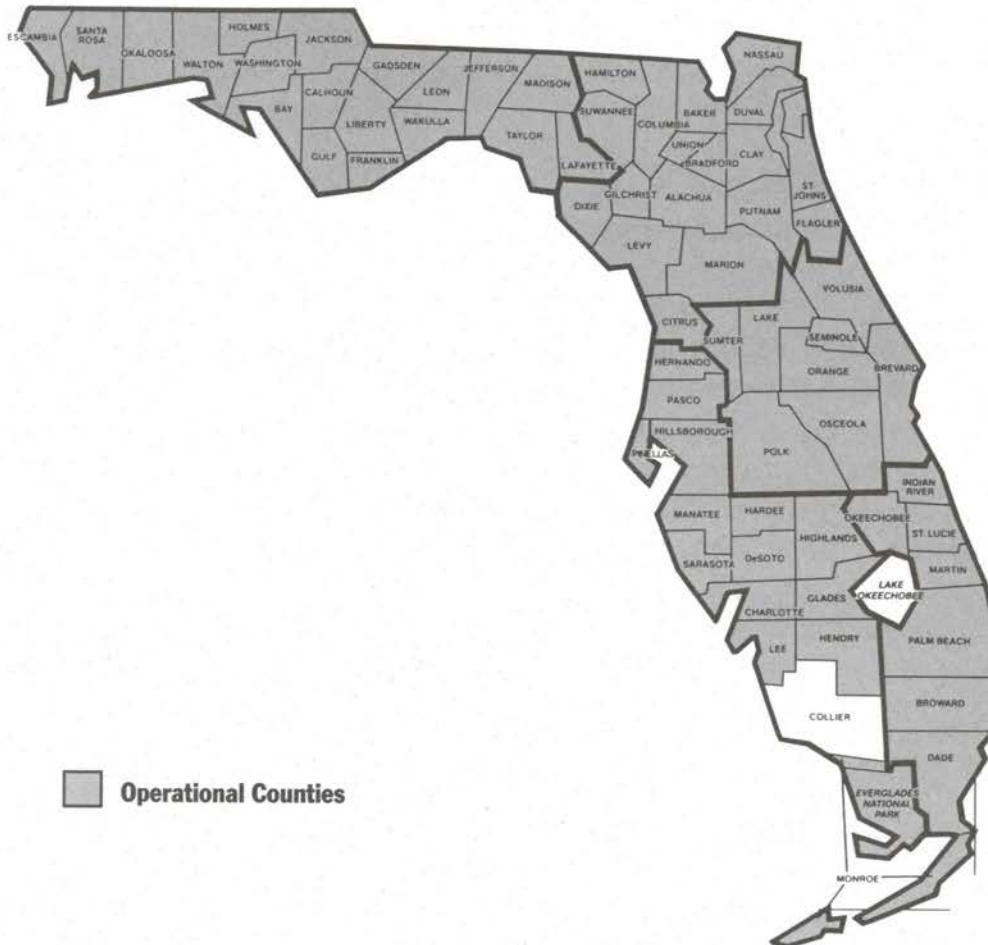
Blue Cross and Blue Shield of Florida has been providing the benefits of Preferred Patient Care to state employees, retirees and their family members since 1984.

PPC providers file claims directly to Blue Cross and Blue Shield of Florida. State employees are not balance billed for the difference between the PPC allowance and the provider's charges.

State employees' use of the PPC network is high.

Staying within the PPC network helps hold costs down.

Preferred Patient CareSM Statewide Network



As a result of the quality of BCBSF's network, State employees receive over 85% of their health care services within the network, thereby maximizing the savings to the State and its employees.

Network

The Blue Cross and Blue Shield of Florida network is operational in 66 of 67 counties.

The network is accessible to over 98 percent of the population.

The network includes 19,000 physicians and 152 hospitals.

There are 138 independent laboratory sites, and 104 ambulatory surgical centers.

The network also includes 20 regional psychiatric and substance abuse facilities.

Savings to the state of Florida from the BCBSF health care network ranged from 33 to 46 percent for the last year alone.

92 percent of state employees are satisfied with the number, quality and proximity of PPC providers.

94 percent of state employees live within ten miles of two or more primary care physicians.

Source: 1994 Independent Research Survey Of State Employees.

V. Utilization Management

The Utilization Management Program monitors and manages the use of health care services and promotes the most appropriate, and cost-effective quality alternatives for care.

Focused Health Education—Provides preventive and disease specific educational information, based on utilization, to improve subscriber knowledge and understanding.

Prenatal Program—Provides information and assistance to expectant mothers to promote a healthy pregnancy and provide cost-effective, early intervention when needed.

Admission Certification—Reviews all hospital admissions and, through the use of national criteria, reduces or eliminates unnecessary hospitalizations, shifting care, when appropriate, to an outpatient setting.

Concurrent Review—Reviews care outside the network, to ensure that the length of hospital stays is appropriate.

Discharge Planning—Provides support when complex post hospitalization arrangements may be necessary for patients that may need case management.

Case Management—Catastrophic and chronic cases are identified and case managers work with the attending physician and family to offer more cost-effective, quality alternative treatments of care.

Psychiatric/Substance Abuse—All acute care psychiatric or substance abuse admissions are reviewed for the appropriateness of inpatient admissions.

Appropriateness Review—Provides multiple level retrospective review of selected medical care and/or services.

Bill Audit—Provides a combination of automated and non-automated claims audit that keeps pace with complex medical developments in medical technology and care.

Preprocedure Transplant Benefits—Reviews benefit determinations on multiple levels prior to transplant procedures.

UM Programs

These programs operate on a continuum of prevention and early identification of illness and management of chronic and catastrophic occurrences.

These programs work in conjunction with each other, along with our providers, claims processing, customer service and retrospective medical review areas.

VI. Managed Care Results

The State's current Self-Insured Plan has performed well in terms of cost-effectiveness and employee satisfaction.

• Cost-effectiveness

- The annual health cost per enrollee has decreased since Fiscal Year 1991-92.
- The Fiscal Year 1993-1994 medical cost per employee was 2.6 percent lower than the previous year.
- The 1993 medical cost inflation trend was flat while the national state employees' plans increased by an average of 10.4 percent.
- State and employee contributions have not increased in the past three years.
- The annual health care cost per State employee in 1993 was \$3,023 (includes prescription drug costs) while the national PPO average for large employers was \$3,622 per employee.

• Employee Satisfaction

- Overall, nine out of ten employees were satisfied with the Plan.
- The highest levels of satisfaction (92+ percent) were associated with the number, proximity, and quality of health care providers.
- 96 percent of enrollees indicated they would keep the PPC plan.
- 93 percent would recommend the PPC plan to friends and co-workers.
- Eight out of ten employees (84%) rated BCBSF's services as an "excellent or good" value.

Source: 1994 Independent Research Survey Of State Employees.

Results

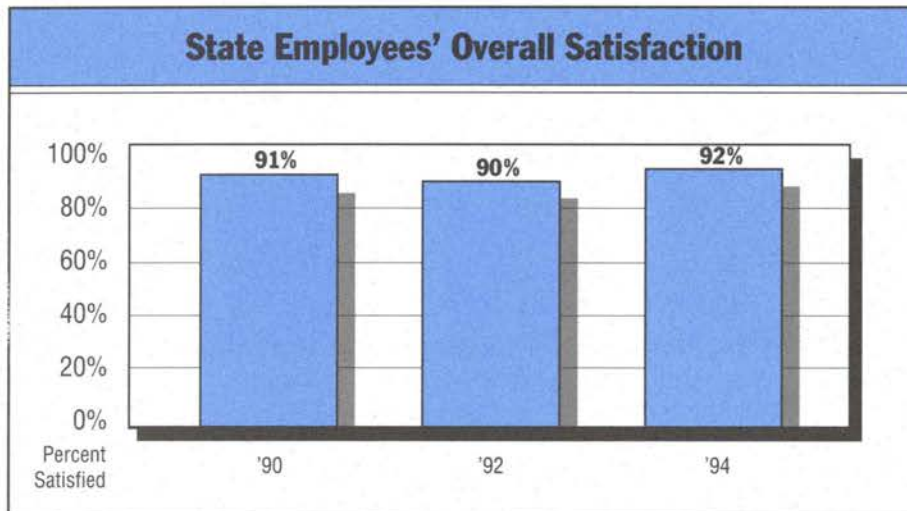
In 1993, the State of Florida paid less for health care than the national average.

The medical cost inflation trend for the State Self-Insured Health Plan was well below the national average for state employee plans.

Overall, state employees are satisfied with the coverage they receive from the State Self-Insured Health Plan.

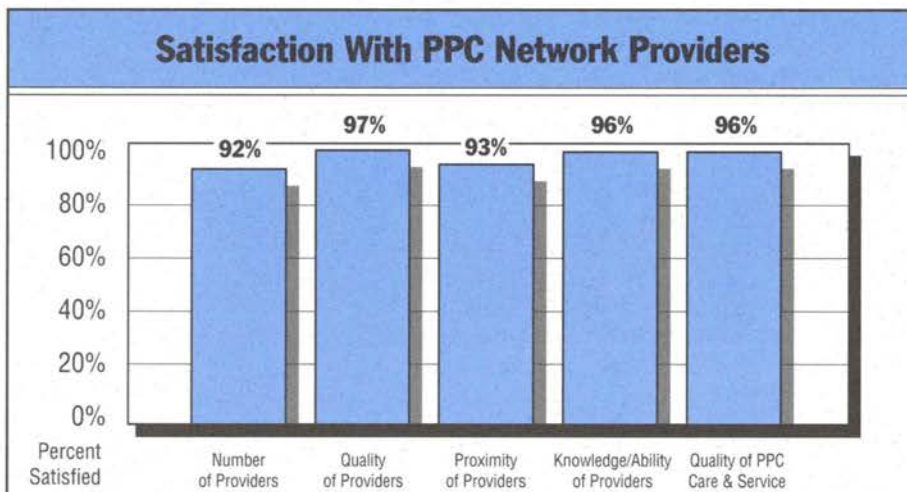
Satisfaction

State Employees' Satisfaction Levels



The overall level of state employee satisfaction has remained extremely high.

Source: Independent surveys of state employees conducted in 1990, 1992 and 1994.

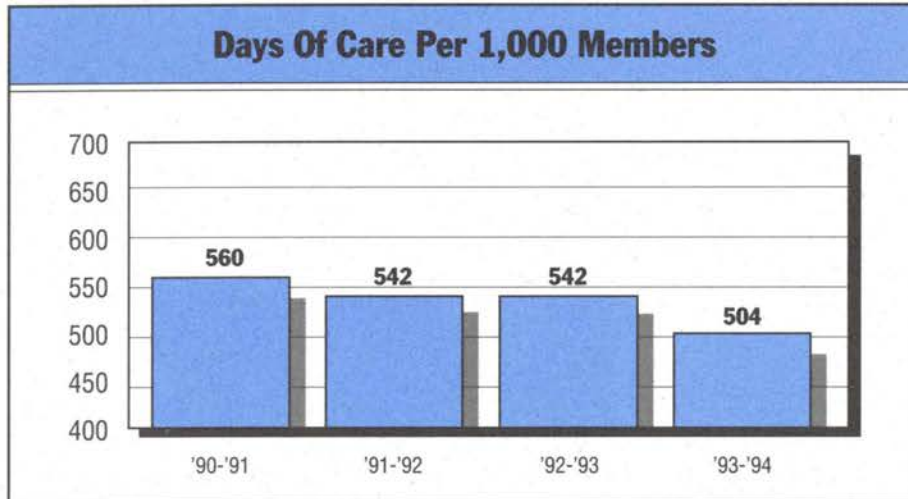


More than 92 percent of state employees are satisfied with PPC providers.

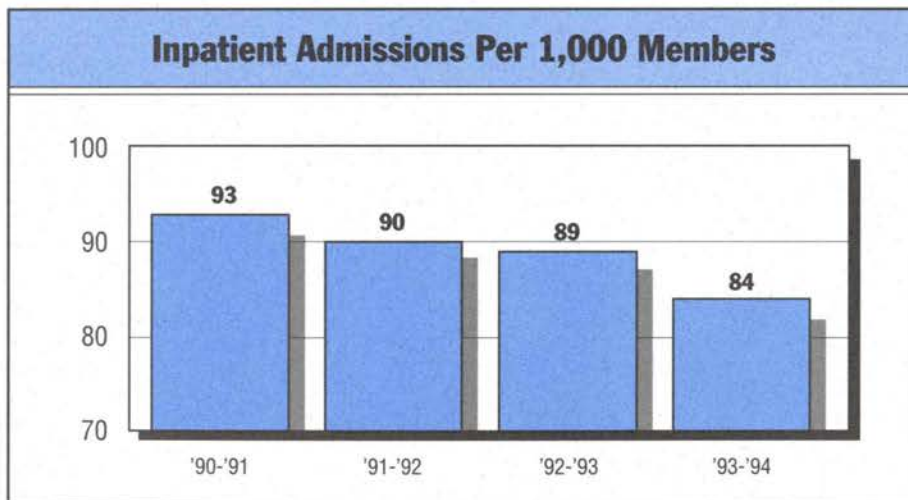
Source: 1994 Independent Research Survey Of State Employees.

Results

Hospital Admissions Results



The number of days of care required by plan participants has decreased significantly since 1990.

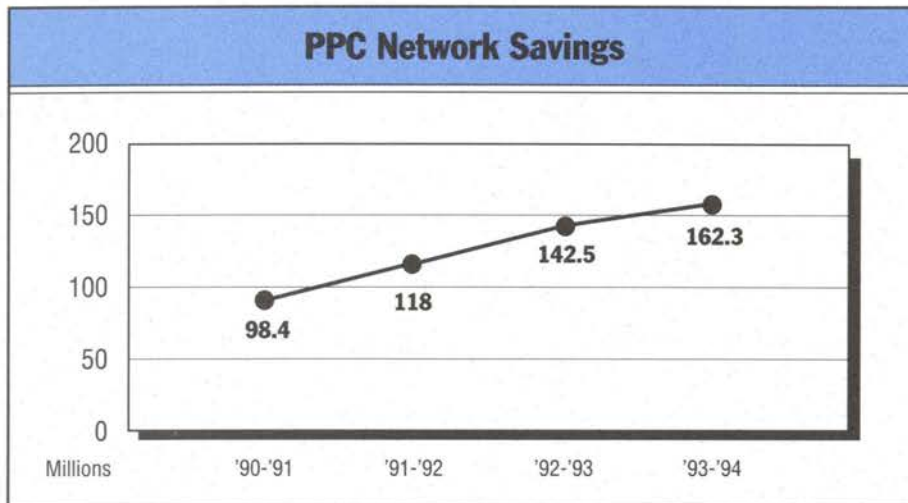


The number of inpatient admissions has dropped considerably since 1990.

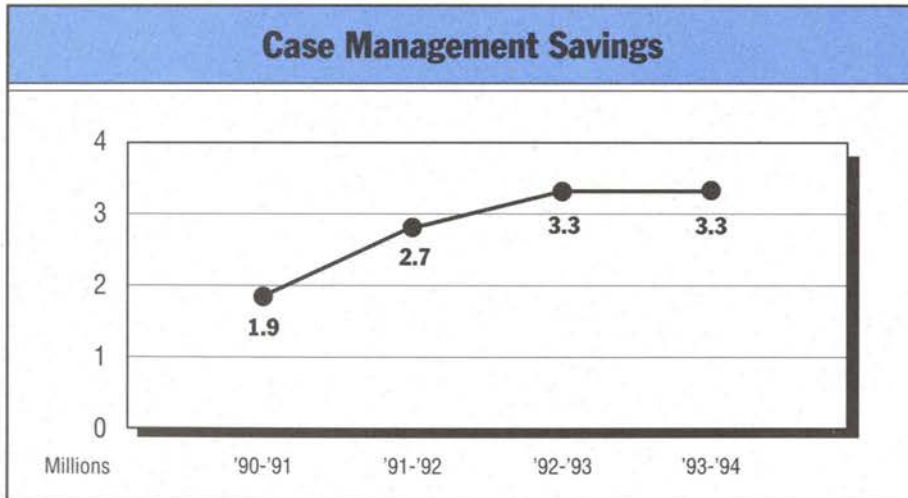
NOTE: Inpatient Admissions and Days of Care figures do not include newborn admissions.

State Self-Insured Health Plan Savings

Savings



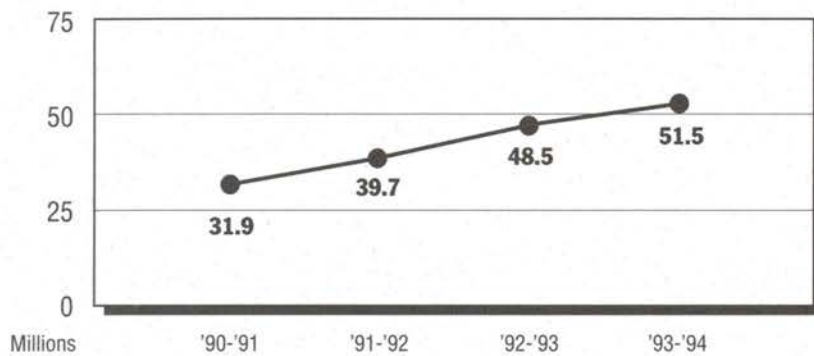
Since 1990, the savings realized by the state and its employees, retirees and their family members due to the PPC network have significantly increased.



Savings from case management programs have almost doubled since 1990.

Savings

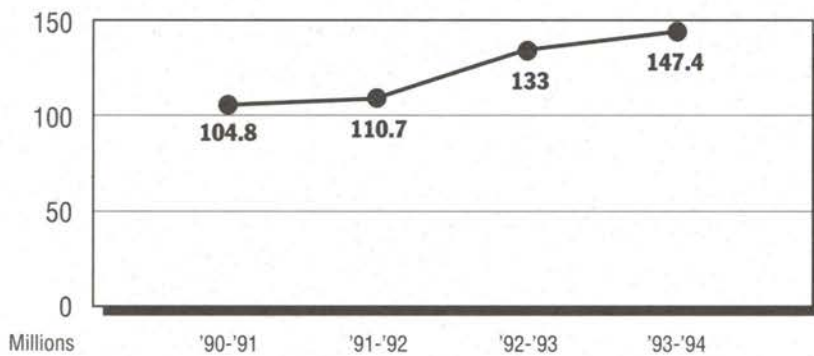
Coordination Of Benefits Savings



NOTE: Includes OCL, Subrogation, No-Fault Auto and Medicare.

Savings from coordination of benefits are climbing each year.

Cost Avoidance Savings



NOTE: Includes all COB activities, claims adjudication and state fee schedule savings.

Savings through cost avoidance programs are increasing each year.

VI. Continuous Development

Blue Cross and Blue Shield of Florida is committed to continuous development and enhancement of its health care and operational programs. New programs and enhancements were implemented in 1992 and are still in effect today.

Development

New programs and enhancements were implemented in 1992.

- **Enhanced Case Management.** Aggressively manages chronic and catastrophic cases to determine if a more cost-effective alternative treatment is appropriate.

- **All Admission Certification.** Reviews all hospital admissions for appropriateness and potential case management referrals.

- **Prenatal Education Program.** Provides customized educational services for expectant mothers and early intervention of case management for those patients who are at high risk for a pre-term delivery.

Prenatal education provides special education and care for high risk pregnancies.

- **Enhanced Coordination of Benefits (COB) Program.** Coordinates benefits with other health insurance policies including dependent level COBs.

- **Extended Customer Service Hours.** Provides expanded weekday operating hours (7 a.m. - 6 p.m.).

- **Psychiatric and Substance Abuse Facilities in PPC Network.** A new statewide regional network of these facilities has been established for State of Florida employees.

Psychiatric and substance abuse facilities are located throughout the state.

- **Focused Health Education.** Member knowledge and understanding are improved by access to our utilization-based information about preventive care and disease.

VIII. Potential Opportunities

Blue Cross and Blue Shield of Florida is fully committed to continue working with the State of Florida to identify opportunities for improving the efficiency and quality of health care delivery for the State Self-Insured Health Plan.

Opportunities on which we will continue to work closely with the DSEI and AHCA or could potentially develop include:

- **Out-of-state employee benefits**
- **Employee information and education**
- **Developing additional preventive care and disease management programs to improve health status and reduce utilization of services**
- **Continuing to expand the health care provider networks**
- **Addition of a gatekeeper or care manager in the PPO environment**
- **Enhanced managed care for psychiatric care**
- **Benefit planning and re-design**
- **Continuing to improve the coordination of the benefits database in order to have more data to support the claims processing activities**
- **Prospective medical necessity, appropriateness review**
- **Quality improvement programs**

Opportunities

Blue Cross and Blue Shield of Florida is always looking for new ways to improve the efficiency and the quality of the health care delivery for the State of Florida.

IX. Appendix

The following pages include additional information about Blue Cross and Blue Shield of Florida and the State Self-Insured Health Plan.

- State Employee Survey Results
 - Key Findings
 - Ranking Of Importance Of Selected Benefits
 - Importance Of Factors In Selecting A Health Insurance Plan
- Providers and Benefits Added Since 1984
- Services Provided By Blue Cross And Blue Shield Of Florida

1994 Survey Of State Of Florida Employees Enrolled In the Self-Insured Health Plan

Market Horizons, Inc., an independent research, planning and consulting firm, was hired in September of 1994 by Blue Cross and Blue Shield of Florida to conduct a study among state of Florida employees who currently participate in the State Employee Self-Insured Health Plan.

The primary purpose of the survey was to obtain feedback from state employees which would enable Blue Cross and Blue Shield of Florida and the state to make more informed decisions regarding the strategies, programs and activities required to administer the account more effectively.

Some of the key findings from the survey of State of Florida employees are summarized here:

- Health coverage was the employee benefit most highly valued by state employees, with 78 percent of the state employees surveyed ranking it the most important benefit.
- The single most important factor in the employee's selection of the Self-Insured Plan over another available plan was the choice of doctors and hospitals available.
- Overall, more than nine out of ten employees surveyed were satisfied with the Plan.
- The highest levels of satisfaction (92+ percent) were associated with the number, proximity and quality of providers.
- Nearly two-thirds of the respondents indicated that they would not want to limit their choice of providers in order to reduce their premiums.
- Nearly two-thirds of respondents were unwilling to change their personal physician in order to reduce their premiums.
- More than eight out of ten employees were satisfied with the claims and customer service aspects of the Plan.

Appendices

Enrollee Comments:

"We've been exceedingly pleased with the PPC Program."

"It's excellent coverage at a fair price."

"It's been great. Thanks."

96% indicated they would keep the PPC plan.

93% indicated they would recommend the PPC plan to friends and co-workers.

Eight out of ten employees (84%) rated Blue Cross and Blue Shield of Florida's services as an "excellent or good" value.

Source: 1994 Independent Research Survey Of State Employees.

Survey Results

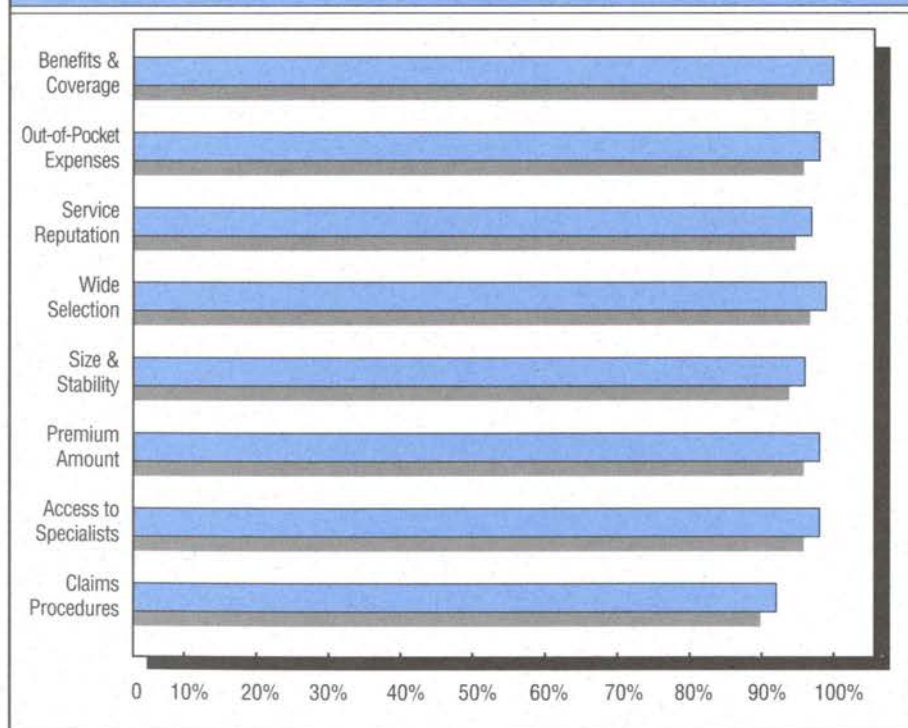
Appendices

Importance Of Selected Benefits

Benefit	Ranked 1st	Ranked 2nd	Ranked 3rd	Ranked 4th	Ranked 5th
Health Coverage	78%	12%	9%	1	<1
Paid Vacations	12%	20%	36%	15%	17%
Paid Sick Leave	9%	52%	28%	8%	3%
Life Insurance	1%	12%	16%	50%	21%
AD&D	1%	3%	12%	26%	58%

Health coverage is ranked number one by state employees in the importance of benefits.

Importance Of Factors In Selecting Health Insurance Plan



Range of benefits and coverage ranked first among factors to be considered in selecting a health insurance plan.

Appendices**Covered Providers Added
As Eligible Since 1984**

- Ambulatory surgical centers
- Dentists for TMJ and certain surgeries
- Nurse midwives
- Ambulances for newborn transportation
- Rehabilitation facilities
- Mental health professionals
- Psychologists
- Social workers
- Massage therapists
- Freestanding outpatient health care facilities
- Skilled nursing facilities
- Certified nurse anesthetist
- Birthing centers
- Alcohol and drug specialty facilities
- Home health care agencies
- Acupuncturists
- Chiropractors
- Audiologists

Over the years, the state has continued to add providers recognized for payment under the plan.

Benefits Added Or Upgraded

- Upgraded state hospital room & board limited to five times for non-network services
- Upgraded state approved fee schedule allowances four times
- Hospital progressive care unit with room & board limitations
- Pregnancy covered as another illness instead of separate maternity benefit for family coverage
- Complications of pregnancy for dependent children
- Increased lifetime maximum from \$250,000 to \$500,000 then to \$1,000,000
- Hospice program
- Heart, kidney and liver transplants
- Well-child care benefits
- Outpatient alcohol and drug programs
- Mammograms
- Health screenings
- COBRA administration
- Increased dependent age to 25

The benefits received by state employees have been steadily increased and upgraded to match today's health care coverage needs.

Appendices

Services Provided By Blue Cross And Blue Shield Of Florida

Managed Care

- Preferred Patient CareSM PPO provider network
- Admission Certification
- Case Management
- Prenatal Program
- Focused Health Education
- Concurrent Review
- Discharge Planning
- Appropriateness Review
- Bill Audit
- Preprocedure Transplant Benefits

Administrative Services

- Claims processing
- Customer service
- Provider and subscriber education

Other Administrative Services

- Consulting
- Actuarial
- Legal
- Medical affairs
- Finance
- Governmental affairs
- Account management
- Reporting and analysis
- Audits
- Provider education
- Printing and postage
- Computer terminals and printers
- Identification cards and provider directories
- Blue Cross and Blue Shield of Florida conversion policies
- Microfilming and records retention

Data Services

- Account specific reports and analysis
- On-line access
- Ad hoc analytical reports and studies

Blue Cross and Blue Shield of Florida is a full-service, integrated managed care company, offering a wide range of services for the State of Florida and its employees. These services are provided at a fixed fee which was approximately 3.5 percent of claims cost for the fiscal year 1993-1994.

State Group Self-Insured Health Plan Administered By:



An Independent Licensee of the Blue Cross and Blue Shield Association.
Revised: December, 1994